



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOYLE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Boyle County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$548,053 from the prior fiscal year. Revenues increased by \$159,307 and disbursements increased by \$1,056,139.

Debt Obligations:

Lease-purchase agreements totaled \$126,479 as of June 30, 2001.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or provide Sufficient Collateral To Protect Deposits

Deposits:

On June 30, 2001, \$176,635 of the county's deposits of public funds in depository institutions was uninsured and unsecured.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Boyle County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Boyle County Municipal Properties Corporation Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation Fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Boyle County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2002 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boyle County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 2, 2002

BOYLE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Tony Wilder	County Judge/Executive
John Davis	Magistrate
Phillip Sammons	Magistrate
Martin G. Curtis	Magistrate
Morris Martin	Magistrate
John Caywood	Magistrate
Ernie Coulter	Magistrate

Other Elected Officials:

George M. McClure	County Attorney
Chris Hill	Jailer
Denis B. Curtsinger	County Clerk
Trudy Stevens	Circuit Court Clerk
Karl Luttrell	Sheriff
Eddie Tamme	Property Valuation Administrator
James Ramey, M.D.	Coroner

Appointed Personnel:

Mary C. Lynn	County Treasurer
Marcia Pierce	Occupational Tax Collector
Gail Bowling	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BOYLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets

Governmental Funds

General Fund Type

General Fund:		
Cash	\$ 2,374,982	
Road and Bridge Fund:		
Cash	59,961	
Joint Jail Fund:		
Cash	113,473	
Local Government Economic Assistance Fund:		
Cash	69,050	
Jail Fund:		
Cash	21,505	
License Fee Tax Fund:		
Cash	11,788	
Payroll Revolving Account:		
Cash	<u>11,775</u>	\$ 2,662,534

Special Revenue Fund Type

State Surplus Fund:		
Cash	\$ 429,848	
Enhanced 911 Fund:		
Cash	181,152	
Emergency Medical Service Fund:		
Cash	<u>58,675</u>	669,675

Debt Service Fund Type

Bond Debt Retirement Fund:		
Cash		409,075

Proprietary Fund

Internal Service Fund Type

Health Program Fund:		
Cash		<u>96,410</u>
Total Assets		<u>\$ 3,837,694</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

Governmental Funds

General Fund Type

Payroll Revolving Account	\$	11,775
---------------------------	----	--------

Fund Balances

Governmental Funds

Reserved:

Special Revenue Fund Type

State Surplus Fund	\$	429,848	
Enhanced 911 Fund		181,152	
Emergency Medical Service Fund		<u>58,675</u>	669,675

Debt Service Fund Type

Bond Debt Retirement Fund	409,075
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Unreserved:

General Fund Type

General Fund	\$	2,374,982	
Road and Bridge Fund		59,961	
Joint Jail Fund		113,473	
Local Government Economic Assistance Fund		69,050	
License Fee Tax Fund		11,788	
Jail Fund		<u>21,505</u>	2,650,759

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2001
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Proprietary Fund Type

Internal Service Fund

Health Program Fund	\$ 96,410
Total Liabilities and Fund Balances	<u>\$ 3,837,694</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BOYLE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Joint Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 9,022,637	\$ 1,972,331	\$ 899,232	\$ 1,525,456
Transfers In	3,032,459	2,088,400	196,000	
Kentucky Advance Revenue Program	1,273,500	1,273,500		
Total Cash Receipts	<u>\$ 13,328,596</u>	<u>\$ 5,334,231</u>	<u>\$ 1,095,232</u>	<u>\$ 1,525,456</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 9,166,364	\$ 3,272,762	\$ 1,070,359	\$ 1,584,354
Transfers Out	3,032,459	936,136		7,923
Transfers to Boyle County Municipal Properties Corporation Fund	404,326			192,914
Kentucky Advance Revenue Program Repaid	1,273,500	1,273,500		
Total Cash Disbursements	<u>\$ 13,876,649</u>	<u>\$ 5,482,398</u>	<u>\$ 1,070,359</u>	<u>\$ 1,785,191</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (548,053)	\$ (148,167)	\$ 24,873	\$ (259,735)
Cash Balance - July 1, 2000	<u>4,373,972</u>	<u>2,523,149</u>	<u>35,088</u>	<u>373,208</u>
Cash Balance - June 30, 2001*	<u><u>\$ 3,825,919</u></u>	<u><u>\$ 2,374,982</u></u>	<u><u>\$ 59,961</u></u>	<u><u>\$ 113,473</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Types			Special Revenue Fund Types		
Local Government Economic Assistance Fund	Jail Fund	License Fee Tax Fund	State Surplus Fund	Enhanced 911 Fund	ISTEA Fund
\$ 35,088	\$ 7,541 7,923	\$ 2,051,722	\$ 865,273 40,000	\$ 148,529	\$ 340,986
\$ 35,088	\$ 15,464	\$ 2,051,722	\$ 905,273	\$ 148,529	\$ 340,986
\$ 30,591	\$ 45,227	\$ 2,045,000	\$ 1,072,547 40,000	\$ 136,516	\$ 340,986
\$ 30,591	\$ 45,227	\$ 2,045,000	\$ 1,112,547	\$ 136,516	\$ 340,986
\$ 4,497 64,553	\$ (29,763) 51,268	\$ 6,722 5,066	\$ (207,274) 637,122	\$ 12,013 169,139	\$
\$ 69,050	\$ 21,505	\$ 11,788	\$ 429,848	\$ 181,152	\$ 0

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

	Special Revenue Fund Types	Debt Service Fund Type	Internal Service Fund
	Emergency Medical Service Fund	Bond Debt Retirement Fund	Health Program Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 441,056	\$ 235,878	\$ 499,545
Transfers In	700,136		
Kentucky Advance Revenue Program			
Total Cash Receipts	<u>\$ 1,141,192</u>	<u>\$ 235,878</u>	<u>\$ 499,545</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,081,697	\$	\$ 531,325
Transfers Out	3,400		
Transfers to Boyle County Municipal Properties Corporation Fund		211,412	
Kentucky Advance Revenue Program Repaid			
Total Cash Disbursements	<u>\$ 1,085,097</u>	<u>\$ 211,412</u>	<u>\$ 531,325</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 56,095	\$ 24,466	\$ (31,780)
Cash Balance - July 1, 2000	<u>2,580</u>	<u>384,609</u>	<u>128,190</u>
Cash Balance - June 30, 2001*	<u><u>\$ 58,675</u></u>	<u><u>\$ 409,075</u></u>	<u><u>\$ 96,410</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Boyle County Municipal Properties Corporation as part of the reporting entity. The Boyle County Municipal Properties Corporation was audited by other auditors whose report has been included as Appendix B of the audit report.

Additional - Boyle County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Boyle County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Boyle County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Joint Jail Fund, Local Government Economic Assistance Fund (LGEA), Jail Fund, and the License Fee Tax Fund.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The State Surplus Fund, Enhanced 911 Fund, ISTEAFund, Federal Fund, and Emergency Medical Service Fund are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Bond Debt Retirement Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Internal Service Fund Type

Internal Service Fund Type accounts for the financing of goods or services provided by one governmental department or agency to another. The Health Program Fund is reported as an Internal Service Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Boyle County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Note 1. D. Legal Compliance Budget (Continued)

Formal budgets are not adopted for the Boyle County Municipal Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type and Debt Service Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Boyle County Fiscal Court: Perryville Battlefield Association and Water Districts.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Boyle County Fiscal Court and City of Danville: Parks and Recreation.

BOYLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$176,635 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2001.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 3,254,053
Uncollateralized and uninsured	<u>176,635</u>
Total	<u><u>\$ 3,430,688</u></u>

BOYLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 4. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount	
Loader	1/5/2001	1/20/2004	3.95%	\$	86,591
Ambulances	2/26/1997	4/1/2002	Variable	\$	39,888

Note 5. Insurance

For the fiscal year ended June 30, 2001, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Boyle County Jail Canteen Fund had receipts of \$70,761 and disbursements totaling \$91,944. The balance of the account as of June 30, 2001 was \$69,289. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 7. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to county employees. The county transfers from each fund (General, Road, Jail, and EMS), the amount for a single policy for each employee who is eligible and elects to receive insurance from the county. Any employee who selects a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from the paychecks. Premiums are determined by the county based on recommendations submitted to them by the reinsurer.

Boyle County also carries insurance to pay claims in excess of \$20,000 per person per incident. Additionally, its reinsurer pays for all claims in one plan year over a specified dollar amount. The county pays for all expenditures during a plan year, and the amount to be paid by the reinsurer is reimbursed to the county at the end of the plan year.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BOYLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 483,698	\$ 1,972,331	\$ 1,488,633
Road and Bridge Fund	1,055,359	899,232	(156,127)
Joint Jail Fund	1,867,600	1,525,456	(342,144)
Local Government Economic Assistance Fund	20,150	35,088	14,938
Jail Fund	8,422	7,541	(881)
License Fee Tax Fund	1,800,000	2,051,722	251,722
<u>Special Revenue Fund Type</u>			
State Surplus Fund	2,928,403	865,273	(2,063,130)
Federal Fund	300,000		(300,000)
Enhanced 911 Fund	114,000	148,529	34,529
ISTEA Fund	340,986	340,986	
Emergency Medical Services Fund	1,075,897	441,056	(634,841)
<u>Debt Service Fund Type</u>			
Bond Debt Retirement Fund	200,363	235,878	35,515
<u>Internal Service Fund Type</u>			
Health Program Fund	456,325	499,545	43,220
Totals	<u>\$ 10,651,203</u>	<u>\$ 9,022,637</u>	<u>\$ (1,628,566)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,651,203
Add: Budgeted Prior Year Surplus			3,501,515
Less: Other Financing Uses			<u>(1,842,493)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,310,225</u>

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SCHEDULE OF OPERATING REVENUE

BOYLE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
		General Fund Type	Special Revenue Fund Type	Debt Service Fund Type	Internal Service Fund
Taxes	\$ 3,125,540	\$ 2,982,829	\$ 142,711	\$	\$
Excess Fees	335,811	335,811			
Licenses and Permits	28,043	28,043			
Intergovernmental Revenues	3,720,353	2,337,242	1,168,452	214,659	
Charges for Services	645,600	220,024	425,576		
Miscellaneous Revenues	976,822	443,768	37,321		495,733
Interest Earned	190,468	143,653	21,784	21,219	3,812
Total Operating Revenue	<u>\$ 9,022,637</u>	<u>\$ 6,491,370</u>	<u>\$ 1,795,844</u>	<u>\$ 235,878</u>	<u>\$ 499,545</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BOYLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 990,975	\$ 959,634	\$ 31,341
Protection to Persons and Property	1,466,203	1,426,986	39,217
General Health and Sanitation	789,760	733,244	56,516
Social Services	84,500	83,900	600
Recreation and Culture	820,862	796,231	24,631
Transportation Facilities and Services	19,735	19,735	
Roads	667,009	641,069	25,940
Airports	25,009	24,984	25
Debt Service	124,052	124,052	
Capital Projects	290,321	290,321	
Administration	961,567	903,137	58,430
Total Operating Budget - All General Fund Types	\$ 6,239,993	\$ 6,003,293	\$ 236,700
Other Financing Uses:			
Transfers to Boyle County Municipal Properties Corporation Fund	357,581	192,914	164,667
Borrowed Money- Kentucky Advance Revenue Program - Principal	1,273,500	1,273,500	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 7,871,074	\$ 7,469,707	\$ 401,367

BOYLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,125,000	\$ 136,516	\$ 988,484
Protection to Persons and Property	793,979	793,979	
General Health and Sanitation	22,609	22,609	
Social Services	767,088	767,088	
Recreation and Culture	2,040,743	623,837	1,416,906
Debt Service	54,740	54,740	
Capital Projects	25,000		25,000
Administration	338,697	232,977	105,720
Total Operating Budget - All Special Revenue Fund Types	<u>\$ 5,167,856</u>	<u>\$ 2,631,746</u>	<u>\$ 2,536,110</u>

Expenditure Categories	DEBT SERVICE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administration	<u>\$ 371,051</u>	<u>\$</u>	<u>\$ 371,051</u>
Total Operating Budget - All Debt Service Fund Types	\$ 371,051	\$	\$ 371,051
Other Financing Uses:			
Transfers to Boyle County Municipal Properties Corporation Fund	<u>211,412</u>	<u>211,412</u>	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 582,463</u>	<u>\$ 211,412</u>	<u>\$ 371,051</u>

BOYLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	INTERNAL SERVICE FUND		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administration	\$ 531,325	\$ 531,325	\$
Total Operating Budget - All Internal Service Fund Types	<u>\$ 531,325</u>	<u>\$ 531,325</u>	<u>\$ 0</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Boyle County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett
Auditor of Public Accounts

Audit fieldwork completed -
May 2, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Boyle County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Boyle County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Boyle County's management. Our responsibility is to express an opinion on Boyle County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyle County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boyle County's compliance with those requirements.

In our opinion, Boyle County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Boyle County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boyle County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 2, 2002

FINDINGS AND QUESTIONED COSTS

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Boyle County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Boyle County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Boyle County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Boyle County reported in Part C of this schedule.
7. The program tested as the major program was the Intermodal Safety Transportation Act Grant for the Perryville Battlefield Preservation.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Boyle County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On June 30, 2001, \$176,635 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Tony Wilder's Response:

Firstar, now U.S. Bank, held ample pledges to cover our deposits and a few days prior to June 30, the bank pulled my pledges without our written or verbal approval which resulted in the failure to pass the auditors test. In response, U.S. Bank has been contacted and a new agreement is in the process of being approved and signed.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

In the prior year, Boyle County should have required depository institutions to pledge or provide sufficient collateral to protect deposits.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BOYLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Health and <u>Human Services</u>		
Passed-Through State Cabinet for Families and Children:		
Child Support Program - Title IV-D (CFDA #93.563)	M-00082755	\$ 48,098
<u>U.S. Department of Transportation</u>		
Passed-Through State Transportation Cabinet:		
Highway Planning and Construction Program (CFDA #20.205)	C-99160427	340,986
Recreational Trails Program - Millenium Park Trails Project (CFDA #20.219)		35,302
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		13,045
Total Cash Expenditures of Federal Awards		<u>\$ 437,431</u>

BOYLE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

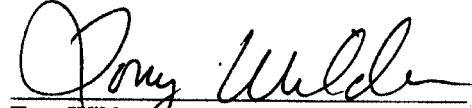
BOYLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Tony Wilder
County Judge/Executive



Mary Lynn
County Treasurer

AUDIT OF THE BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

June 30, 2001

Appendix B

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2001

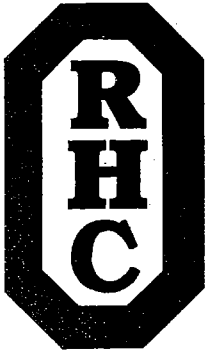
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INDEPENDENT AUDITORS' REPORT

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3
Notes to Financial Statements	4-8



Robinson, Hughes & Christopher, P.S.C.
Certified Public Accountants

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JONATHAN M. MEYER, CPA, CVA

LINDA R. HUDMAN, CPA

Board of Directors
Boyle County Municipal Properties Corporation
Boyle County Courthouse
Danville, Kentucky 40422

Independent Auditors' Report

We have audited the financial statements of the Boyle County Municipal Properties Corporation (a component unit of the County of Boyle, Kentucky) as of June 30, 2001, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boyle County Municipal Properties Corporation as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Robinson, Hughes & Christopher, P.S.C.

ROBINSON, HUGHES & CHRISTOPHER, P.S.C.
Certified Public Accountants

July 23, 2001

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental	Account Groups		Totals (Memorandum Only)	
	Fund Type	General	General	June 30,	June 30,
	Debt Service	Long Term	Fixed	2001	2000
	Fund	Debt	Assets		
ASSETS AND RESOURCES					
Assets held by Trustee:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 0.24
Lease receivable	119,025.53			119,025.53	122,532.74
Government Services Center building			5,155,197.22	5,155,197.22	5,155,197.22
Government Services Center equipment and furnishings			423,247.38	423,247.38	423,247.38
Government Services Center land			145,003.00	145,003.00	145,003.00
Total Assets	119,025.53	-	5,723,447.60	5,842,473.13	5,845,980.58
Amount available in Debt Service Funds		119,025.53		119,025.53	122,532.98
Amounts to be provided from future revenues for retirement of bonds		5,445,974.47		5,445,974.47	5,632,467.02
Total Assets and Resources	\$ 119,025.53	\$ 5,565,000.00	\$ 5,723,447.60	\$ 11,407,473.13	\$ 11,600,980.58
LIABILITIES AND FUND EQUITY					
Liabilities:					
Bonds outstanding	\$ -	\$ 5,565,000.00	\$ -	\$ 5,565,000.00	\$ 5,755,000.00
Total Liabilities	-	5,565,000.00	-	5,565,000.00	5,755,000.00
Fund Equity:					
Investment in general fixed assets			5,723,447.60	5,723,447.60	5,723,447.60
Fund balance	119,025.53			119,025.53	122,532.98
Total Fund Equity	119,025.53	-	5,723,447.60	5,842,473.13	5,845,980.58
Total Liabilities and Fund Equity	\$ 119,025.53	\$ 5,565,000.00	\$ 5,723,447.60	\$ 11,407,473.13	\$ 11,600,980.58

The notes to the financial statements are an integral part of this statement.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2001

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Debt Service	Totals (Memorandum Only)	
		June 30, 2001	June 30, 2000
Revenues:			
Lease income from Boyle County			
Fiscal Court	\$ 481,178.81	\$ 481,178.81	\$ 478,948.96
Interest earned	-	-	235.87
	<u>481,178.81</u>	<u>481,178.81</u>	<u>479,184.83</u>
Expenditures:			
Payment of bonds	190,000.00	190,000.00	180,000.00
Payment of interest	<u>294,686.26</u>	<u>294,686.26</u>	<u>303,236.26</u>
	<u>484,686.26</u>	<u>484,686.26</u>	<u>483,236.26</u>
Excess of Revenues Over			
(Under) Expenditures	<u>(3,507.45)</u>	<u>(3,507.45)</u>	<u>(4,051.43)</u>
Fund Balance, beginning of year	<u>122,532.98</u>	<u>122,532.98</u>	<u>126,584.41</u>
Fund Balance, end of year	<u>\$ 119,025.53</u>	<u>\$ 119,025.53</u>	<u>\$ 122,532.98</u>

The notes to the financial statements are an integral part of this statement.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 - GENERAL HISTORY

The Boyle County Municipal Properties Corporation (the Corporation), a component unit of the County of Boyle, Kentucky, was formed on July 23, 1974, by the members of the Boyle County Fiscal Court (Fiscal Court) to act as an agency of the County in the planning, financing, acquisition and developing of public projects and improvements. The Corporation's directors consist of the seven members of the Fiscal Court (the County Judge/Executive and six Magistrates). Each of these elected officials shall serve as a director during his or her tenure in public office.

To date the Corporation has been utilized in connection with two public projects. The first project was a 1975 renovation and addition to the Boyle County Courthouse, financed by a \$1,650,000.00 bond issue. The 1975 bond issue was retired on June 1, 1998. In September 1998, title to the courthouse site was transferred by the Corporation to Boyle County.

The second project was the construction of a new government services center on the Highway 127 Bypass in Danville. This project, which was financed by a February, 1997, bond issue of \$5,935,000.00, consists of a new regional jail facility (for Boyle and Mercer Counties) and new emergency medical service and County road maintenance facilities (for Boyle County).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting - The accounts of the Corporation are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Corporation:

Governmental Fund Types

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. As of June 30, 2001, the Corporation had only one debt service fund, the 1997 Bond Issue Sinking Fund.

Capital Projects Funds - The Capital Projects Funds are used to account for all resources for the acquisition and construction of capital facilities by the Corporation. During the year ended June 30, 2001, there were no capital projects in process.

Account Groups

General Fixed Assets Account Group - This account group is established to account for all fixed assets financed by the Corporation.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the Corporation.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Governmental fund operating statements present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

Revenues consist of lease payments from the Boyle County Fiscal Court and interest on investments. Lease payments, discussed in more detail in Note 5, are recorded when susceptible to accrual. Investment earnings are recorded as earned since they are measurable and available.

Investments - Investments are recorded at cost plus accreted interest, if applicable, which approximates market value.

General Fixed Assets - Buildings, equipment and furnishings, and land are stated on the basis of historical cost including capitalized construction period interest. In accordance with generally accepted accounting principles, no provision is made for depreciation of assets in the General Fixed Assets Account Group.

During the construction of a fixed asset, interest paid on the related bond issue net of any purchased interest received from bond holders and any interest earned on the temporary investment of bond proceeds is capitalized as part of the cost of the related fixed asset.

Comparative Data - Comparative totals for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's financial position and operations.

Total Columns on Combined Financial Statements - Total columns presented in the combined financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals; thus they do not present consolidated information and do not purport to present financial position or results of operations in conformity with generally accepted accounting principles.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3 - CASH AND INVESTMENTS

Under the terms of the Trust Indenture made in connection with the 1997 bond issue, trust funds connected with the issue may be invested in:

- 1) Direct obligations of or obligations guaranteed by the United States of America.
- 2) Interest bearing time deposits or certificates of deposit. However, to the extent that such deposits exceed the Federal Deposit Insurance Corporation (FDIC) coverage, bank owned obligations of the types described in 1, 3, 4 and 5 must be pledged as security.
- 3) Obligations issued by various federal agencies.
- 4) General obligations of the Commonwealth of Kentucky.
- 5) Money market funds consisting of obligations described in either items 1 or 4 above.

As of June 30, 2001, the Corporation's assets included no cash or investments. During the year, there were no investments.

All investments are held by the trustee in its name. The trustee maintains records detailing ownership of all assets which it holds.

NOTE 4 - GENERAL FIXED ASSETS

The \$5,723,447.60 balance shown in the General Fixed Assets account group is the total cost of the government services center financed by the 1997 bond issue and completed in October, 1998.

NOTE 5 - LEASE INCOME

The Corporation holds title to the property on which the new government services center is constructed. A lease-option agreement between Boyle County and the Corporation has been executed under which Boyle County will pay such rent to the Corporation as is necessary to retire the bonds and interest coupons. Under the terms of the Trust Indenture dated February 15, 1997, the property, all rights under the lease-option, and all rights under a sublease described below were pledged to the trustee, National City Bank of Kentucky, as security for the bondholders.

The amount of the rent payments that will normally be due is equal to the sum of the semi-annual bond and interest requirements. During the construction period, however, interest costs associated with the bond issue were refunded to the 1997 Bond Issue Sinking Fund by the Capital Projects Fund.

Amounts accumulated in the 1997 Bond Issue Sinking Fund may be used as a credit against normal rent payments due.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 5 - LEASE INCOME (continued)

On November 19, 1996, the Counties of Boyle and Mercer entered into an Interlocal Cooperation Agreement to "share in the costs of construction, acquisition, installation, maintenance, operation and financing of a regional jail facility." Pursuant to that agreement, the two counties entered into a sublease agreement dated February 15, 1997. Under the terms of the sublease agreement, Mercer County is to pay to Boyle County an amount equal to Mercer County's share of the portion of the bond debt service requirement from the 1997 bond issue which is attributable to the jail portion of the multi-purpose government services center. According to the sublease agreement, the portion of the debt service requirement that is attributable to the jail is fixed at 83.42%. For the first year that the jail was in service, Mercer's share of the debt service attributable to the jail was 40%. For subsequent years, Mercer's share will be based upon the relative prisoner populations of the two counties at the jail for the preceding year.

NOTE 6 - BOND INDEBTEDNESS INFORMATION

The following is a summary of some of the significant provisions of the Series of 1997 bond issue:

Par amount of original issue	\$ 5,935,000.00
Discount on original issue	\$ 118,566.46
Rate of interest on remaining issue	4.75% to 5.30%
Bonds due	February 1
Interest due	February 1 and August 1
First principal payment	February 1, 2000
Last principal payment	February 1, 2019

Call Provisions:

1997 Series bonds maturing on and after February 1, 2008, are subject to redemption prior to maturity at the option of the Corporation (and upon its written direction to the Trustee) on February 1, 2007, and on any date thereafter in whole or from time to time in part in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at the following prices (expressed as percentages of principal amount) plus interest accruing to the redemption date.

February 1, 2007, and prior to February 1, 2008	102%
February 1, 2008, and prior to February 1, 2009	101%
February 1, 2009, and thereafter	100%

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 6 - BOND INDEBTEDNESS INFORMATION (continued)

The following is a summary of the remaining bond principal and interest requirements of the Series of 1997 as of June 30, 2001:

Year Ending June 30,	
2002	\$ 485,661.26
2003	481,161.26
2004	481,423.76
2005	485,942.51
2006	484,730.01
2007 - 2011	2,420,155.05
2012 - 2016	2,420,080.05
2017 - 2019	1,451,245.03
Total	<u>8,710,398.93</u>
Less interest	<u>3,145,398.93</u>
Outstanding principal	<u><u>\$ 5,565,000.00</u></u>

